

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
(Gogebic)
TOWNSHIP OF MARENISCO
MARENISCO, MICHIGAN
March 31, 2004**

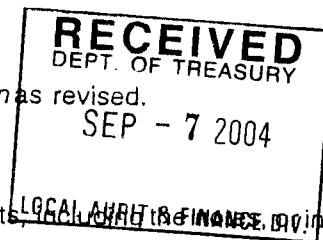
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Marenisco		County Gogebic
Audit Date 3/31/2004	Opinion Date 7/29/2004	Date Accountant Report Submitted to State: 9/1/2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive	City Ironwood	State MI	ZIP 49938
Accountant Signature 			

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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Marenisco
Marenisco, Michigan

We have audited the accompanying general purpose financial statements of Township of Marenisco and its combining and individual fund financial statements as of and for the year ended March 31, 2004, and the combining financial statements of the enterprise funds as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Marenisco as of March 31, 2004, and the results of its operations and its cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual funds financial statements of the proprietary funds as of and for the year ended March 31, 2003, present fairly, in all material respects, the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued my report dated July 29, 2004 on our consideration of Township of Marenisco internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Marenisco. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
July 29, 2004

GENERAL
PURPOSE
FINANCIAL
STATEMENTS

TOWNSHIP OF
COMBINED BALANCE SHEET
March 31,

	<u>Government Fund Type</u>		<u>Proprietary Fund Types</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$260,710	\$65,842	\$149,032
Investments			
Accounts receivable-net	12,558	23,382	28,420
Delinquent taxes receivable	14,307		
Due from other funds	45,644	110	12,103
Accrued interest income	78	201	432
Prepaid expenses	10,759	473	5,890
Supplies inventory (at cost)			7,092
Total Current Assets	\$344,056	\$90,008	\$202,969
Fixed Assets:			
Land and land rights			\$57,908
Structures and improvements			1,381,771
Wells and springs			98,903
Distribution mains			980,927
Collection system			1,131,285
Hydrants			51,450
Equipment			187,520
Vehicles			
Accumulated depreciation			(1,430,946)
Other Assets:			
Restricted cash	124,731		87,400
Loan acquisition costs-net			10,006
Amount to be provided for long-term debt			
TOTAL ASSETS	\$468,787	\$90,008	\$2,759,193
LIABILITIES AND MUNICIPAL EQUITY			
Current Liabilities:			
Accounts payable	\$9,090	\$7,372	\$7,481
Accrued wages & taxes	2,421		150
Contractors payable	14,570		
Due other units/individuals			
Accrued interest payable			2,541
Due to other funds	110		31,625
Current portion of LT Debt			18,562
Total Current Liabilities	\$26,191	\$7,372	\$60,359

The accompanying notes are an integral part of the financial statements

MARENISCO
ALL FUNDS TYPES
2004

<u>Fiduciary Fund Types</u>		<u>Account Groups</u>		
<u>T&A and Tax Fund</u>	<u>Pension Trust</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>Totals (Memorandum Only)</u>
\$114,794				\$590,378
	\$75,121			75,121
				64,360
				14,307
				57,857
				711
				17,122
				7,092
\$114,794	\$75,121			\$826,948
		\$24,600		\$82,508
		702,243		2,084,014
				98,903
				980,927
				1,131,285
				51,450
		186,668		374,188
		434,530		434,530
				(1,430,946)
				212,131
				10,006
			\$105,793	105,793
\$114,794	\$75,121	\$1,348,041	\$105,793	\$4,961,737
				\$23,943
				2,571
\$88,672				14,570
				88,672
				2,541
26,122				57,857
				18,562
\$114,794				\$208,716

TOWNSHIP OF
COMBINED BALANCE SHEET
March 31,

	<u>Government Fund Types</u>		<u>Proprietary Fund Types</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Other Liabilities:			
Customer Deposits			\$9,594
Long Term Debt			
Bonds Payable			843,940
Loans Payable			11,492
Less Current Portion			(18,562)
Total Other Liabilities			846,464
TOTAL LIABILITIES	\$26,191	\$7,372	\$906,823
 MUNICIPAL EQUITY			
Contributed Capital:			
Investment in general fixed assets			
From municipality and customers			105,138
From state and federal government			2,570,129
Accumulated amortize			(876,921)
Total Contributed Capital			1,798,346
Net assets held in trust for pension benefits			
Retained earnings:			
Unreserved			54,024
Fund Balances:			
Unreserved	242,475	82,636	
Designated	200,121		
TOTAL LIABILITY & EQUITY	\$468,787	\$90,008	\$2,759,193

The accompanying notes are an integral part of the financial statements.

MARENISCO
ALL FUNDS TYPES
2004

<u>Fiduciary Fund Types</u>		<u>Account Groups</u>		<u>Totals</u>
<u>T&A and Tax</u>	<u>Pension Trust</u>	<u>General Fixed</u>	<u>Long Term Debt</u>	<u>(Memorandum Only)</u>
<u>Fund</u>		<u>Assets</u>		
			\$105,793	\$9,594
				105,793
				843,940
				11,492
				(18,562)
			105,793	952,257
114,794			105,793	1,160,973
		1,348,041		1,348,041
				105,138
				2,570,129
				(876,921)
		1,348,041		3,146,387
	\$75,121			75,121
				54,024
				325,111
				200,121
\$114,794	\$75,121	\$1,348,041	\$105,793	\$4,961,737

TOWNSHIP OF MARENISCO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENT FUND TYPES
Year Ended MARCH 31, 2004

	Government Fund Types		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals</u>
REVENUES			
Taxes	\$240,355	\$	\$240,355
Other taxes	28,041		28,041
Tax administrative fees	16,514		16,514
Licenses and permits	1,885	4,485	6,370
Federal shared revenues	65,181		65,181
Rentals	2,057		2,057
State shared revenues	67,689	1,843	69,532
Charges for services	17,473	40,208	57,681
Interest	3,831	1,457	5,288
Donations	45,136	10,027	55,163
Reimbursements	4,780		4,780
Other revenue	14,743	1,336	16,079
TOTAL REVENUES	\$507,685	\$59,356	\$567,041
EXPENDITURES			
Legislative	\$50,613	\$	\$50,613
General government	137,180		137,180
Public safety	98,456	97,148	195,604
Public works	52,841		52,841
Recreation and culture	35,868		35,868
Other	48,092		48,092
TOTAL EXPENDITURES	\$423,050	\$97,148	\$520,198
EXCESS OF REVENUES (EXPENDITURES)	\$84,635	(\$37,792)	\$46,843
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	1,843	30,248	32,091
Transfers to other funds	(30,248)	(1,843)	(32,091)
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING SOURCES	\$56,230	(\$9,387)	\$46,843
 Fund balance at 3/31/2003	 386,366	 92,023	 478,389
FUND BALANCE 3/31/2004	\$442,596	\$82,636	\$525,232

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND COMPARISON WITH BUDGET
ALL GOVERNMENTAL FUNDS TYPES

Year ended March 31, 2004

	General Fund			Special Revenues Funds		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$225,445	\$240,355	\$14,910	\$	\$	\$
Other taxes	15,836	28,041	12,205			
Tax administrative fees	23,400	16,514	(6,886)			
Licenses and permits		1,885	1,885		4,485	4,485
Rentals	9,000	2,057	(6,943)			
Federal shared revenues	32,456	65,181	32,725			
State shared revenues	77,000	67,689	(9,311)		1,843	1,843
Charges for services	14,763	17,473	2,710		40,208	40,208
Reimbursements		4,780	4,780			
Interest		3,831	3,831		1,457	1,457
Donations	2,000	45,136	43,136		10,027	10,027
Other revenue	13,500	14,743	1,243		1,336	1,336
Total Revenues	\$413,400	\$507,685	\$94,285	\$	\$59,356	\$59,356
EXPENDITURES						
Legislative	\$63,000	\$50,613	\$12,387	\$	\$	\$
General government	119,100	137,180	(18,080)			
Public safety	116,000	98,456	17,544		97,148	(97,148)
Public works	37,000	52,841	(15,841)			
Recreation and culture	6,000	35,868	(29,868)			
Other	78,300	48,092	30,208			
Total Expenditures	\$419,400	\$423,050	(\$3,650)	\$	\$97,148	(\$97,148)
EXCESS OF REVENUES (EXPENDITURES)	(\$6,000)	\$84,635	\$90,635	\$	(\$37,792)	(\$37,792)
OTHER FINANCING SOURCES (USES)						
Transfers to/from other funds		(28,405)	(28,405)		28,405	28,405
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(6,000)	56,230	62,230		(9,387)	(9,387)
Fund Balance at 3/31/2003	386,366	386,366		92,023	92,023	
FUND BALANCE MARCH 31, 2004	\$380,366	\$442,596	\$62,230	\$92,023	\$82,636	(\$9,387)

The accompanying notes are an integral part of the financial statements

STATEMENT OF INCOME AND CHANGES IN
RETAINED-EARNINGS (DEFICIT) – PROPRIETARY FUNDS TYPE
TOWNSHIP OF MARENISCO
Year ended March 31, 2004

		Enterprise Funds
Operating revenues:		
Charges for services		\$158,293
Administrative expenses		
Wages and benefits	\$2,114	
Purchases of services	2,510	
Supplies	536	
Utilities	1,887	
		7,047
Operating expenses:		
Wages and taxes	\$21,440	
Purchases of services	1,797	
Provision for depreciation/amortization	92,897	
Operating supplies/maintenance	6,002	
Utilities	4,693	
Charge backs	6,968	
Insurance	10,544	
Total Expenses		144,341
		\$151,388
INCOME FROM OPERATIONS		\$6,905
Non-operating revenues (expenses)		
Interest income		4,283
Interest expense		(50,569)
NET INCOME (LOSS)		(\$39,381)
Provision for depreciation included in operating expenses by external restricted grants		64,254
Retained Earnings March 31, 2003		\$29,151
RETAINED EARNINGS – MARCH 31, 2004		\$54,024

The accompanying notes are an integral part of the financial statements.

. STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPE
 TOWNSHIP OF MARENISCO
 Year ended March 31, 2004

Enterprise Funds

Cash flows from operating activities:

Income from operations	\$6,905
Adjustments to reconcile income from operations to net cash Provided by operating activities:	
Depreciation	\$92,897
(Increase) decrease in:	
Accounts receivable	(6,424)
Due from other funds	(9,752)
Inventory	1,954
Accrued interest income	(433)
Prepaid expenses	(572)
Increase (decrease) in:	
Accounts payable	7,026
Accrued payroll/taxes	100
Customer deposits	803
Due to other funds	14,689
Accrued interest payable	(145)
Total adjustments	<u>\$100,143</u>
Net Cash Provided by Operating Activities	<u>\$107,048</u>

Cash flows from capital and related financing activities:

Principal paid on loans	(18,327)
Interest paid on loans	(50,571)
Net cash provided (used) for capital and related financing activities	<u>(\$68,898)</u>

Cash flows from investment activities:

Interest income	4,283
Net increase (decrease) in cash and cash equivalents	<u>\$42,433</u>

Cash and Cash Equivalents, March 31, 2003	<u>193,999</u>
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Cash and Cash Equivalents, March 31, 2004	<u>\$236,432</u>
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The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Marenisco operates under an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component in the Township's financial statements include oversight responsibility, scope of public service, and special financing relationships.

On this basis, the financial statements of the local school district, regional solid waste disposal authority and a volunteer fire department auxiliary are not included as component units in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity. A solid waste disposal system provides services to citizens through a regional authority. The financial statements of the Township do not include the separate authorities, which operate autonomously under an intergovernmental service agreement. The Township entered into a contract with this authority and has pledged is limited tax full faith and credit for the payment of the Township's share of this authority's obligation bond. The volunteer fire department auxiliaries are organized as a separate nonprofit entity.

Basis of Presentation – Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, categorized and described as follows:

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

GOVERNMENTAL FUND TYPES

General Fund – is the general operating fund of the Township. This fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal shared revenues.

Special Revenue Fund – is used by the Township to account for the proceeds of specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

ACCOUNT GROUPS

General Fixed Assets Account Group - This is not a fund but rather an account group this is used to account for general fixed assets acquired principally for general purpose and excludes fixed assets of the Enterprise Funds. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

General Long-Term Debt Account Group – This is not a fund but an account group used to present the balance of the general obligation long-term debt, which is not recorded in Enterprise Funds.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

FIDUCIARY FUND TYPE

Agency Funds – These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Trust and Agency Fund. These funds are custodial in nature and do not involve measurement of results of operations.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2003

Pension Trust Fund – This fund is used to account for assets of the Township's defined contribution pension plan.

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Governmental Funds and the Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, charges for services and miscellaneous revenues are recorded as revenues when received in cash. General property taxes and investment earnings are recorded when earned or levied (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations, which are recognized when paid.

The Township has adopted the accrual basis of accounting for the Proprietary Fund. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remit monies to the various units of government.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for special revenue funds are required, were not adopted whereas; budgets are not required for the operations of the Proprietary Fund

Restricted Assets

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for repairs to and maintenance of the utility systems. The Township has deposited monies to meet the minimal amounts required per covenants.

The General Fund has established separate cash accounts for future road improvements, building inspections, recreation activities and future cemetery care.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Total Columns on Combined Financial Statements – Overview

The total column on the Combined Financial Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

General Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations is recorded as expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. General Fixed Assets are not depreciated.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective funds to which it applies.

Property, plant and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost or estimated value established by Township officials was used to record the estimated value of the assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. Depreciation on assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than as a decrease in retained earnings.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility Plant	40-50 Years
Buildings	40-50 Years
Equipment	5-10 Years
Vehicles	5 Years

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Long- Term Debt

The Township reports long-term debt of its governmental funds at face value in the general long-term debt account group. Long-term liabilities for revenue and loans are reported in the appropriate Enterprise Fund.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE B – CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2003

State government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit. They are recorded in the Township records at cost. Interest is recorded when the interest is accrued. Certificates of Deposit are recorded at cost, which approximates market value.

Following is a summary of the carrying amount of cash at March 31, 2004:

Cash deposited in banks insured by federal depository insurance	\$543,549
Cash on hand	35,648
Funds in excess of insurance limits	255,948
Less outstanding items	(32,636)
Total	<u>\$802,509</u>

Pension Trust Fund investments of \$75,121 were invested entirely in annuity contracts in accordance with State of Michigan statutes. Market value of \$75,121 as of March 31, 2004 was less than the carrying value of \$83,457 due to market conditions. The investments are not subject to categorization of credit risk.

NOTE C – RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

Fund	Receivable	Allowance	Net
General Fund	\$12,358	\$	\$12,358
Water Fund	\$15,187	\$1,649	\$13,538
Sewer Fund	\$14,882	\$	\$14,882
SRF-Ambulance	\$37,174	\$14,331	\$22,843
SRF-Fire Departments	\$539	\$	\$539

General Fund – generally consists of delinquent tax monies and survey fees to be reimbursed under a special assessment. Special revenue fund accounts receivables are for transporting ambulance patients.

Proprietary Funds – customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2004.

Customer billing for the month of March 2004	\$12,365
Delinquent billings	17,704
Total	<u>\$30,069</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Delinquent account balances can be placed on tax rolls and can be a lien against real property; however, the Township has elected to pursue collections through their own efforts and the use of a collection agency. Receivables are considered to be fully collectible with the exception of contested connection fees incurred in prior years. The connection fees were not added to the tax rolls in the prior years and appropriate allowances for doubtful accounts have been established.

NOTE D – SUMMARY OF TAX ROLL

Following is a summary of the 2003 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collected</u>
Real/Personal Property taxes:			
County	\$433,401	\$26,631	\$406,770
School/SET	550,325	28,652	521,673
Township	240,611	14,788	225,823
CFR	63,431		63,431
Special Assessments	11,762	7,254	4,508
Totals:	<u>\$1,299,530</u>	<u>\$77,325</u>	<u>\$1,222,205</u>

Allocation of CFR taxes collected:

County/State	\$54,551
Township	<u>8,880</u>
Total	<u>\$63,431</u>

Taxable Valuation

Homestead	\$7,933,048
Non-homestead	<u>22,143,864</u>
Total	<u>\$30,076,912</u>

NOTE E – DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2003 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after year end. The delinquent real property taxes are recorded as current year tax revenues.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE F – INVENTORIES

Inventories of Governmental Fund types operating supplies are considered to be immaterial and are not recognized, whereas, Proprietary Fund types are valued at cost and inventory in taken at year end by Township's representatives.

NOTE G – INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2004, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Water Fund-	
Water	\$9,952	General Fund	\$9,952
Tax	19,958	Sewer	12,103
Sewer	9,570	Tax Fund-	
Trust & Agency	6,164	General Fund	19,958
Ambulance-		Trust & Agency-	
General	110	General Fund	6,164
Sewer-		Sewer Fund-	
Water	12,103	General Fund	9,570
		General Fund-	
		Ambulance	110
TOTALS	<u>\$57,857</u>		<u>\$57,857</u>

NOTE H – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follow:

	<u>Balance at March 31, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2004</u>
Land	\$24,600	\$	\$	\$24,600
Buildings and improvements	694,127	8,116		702,243
Equipment, fixtures, furniture	149,050	37,618		186,668
Vehicles	402,015	86,515	54,000	434,530
Totals	<u>\$1,269,792</u>	<u>\$132,249</u>	<u>\$54,000</u>	<u>\$1,348,041</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE I – ENTERPRISE FUNDS – FIXED ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2004 follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Land and land rights	\$37,908	\$20,000
Structures and improvements	239,630	1,142,141
Wells and springs	98,903	
Distribution mains	980,927	
Collection system		1,131,285
Hydrants	51,450	
Equipment	18,047	169,473
Total Cost	<u>\$1,426,865</u>	<u>\$2,462,899</u>
Accumulated Depreciation	<u>(\$460,387)</u>	<u>(\$970,559)</u>
2003-2004 Depreciation	<u>\$34,813</u>	<u>\$57,695</u>

Depreciation is computed using the straight-line method.

NOTE J – LIQUOR LICENSE REBATES

Liquor license monies totaling \$1,843 were received during the year and were transferred to the General Fund and used to support operations of the police department.

NOTE K – ACCOUNTS PAYABLE/CONTRACTOR PAYABLE

The Enterprise Fund's account payables were for normal expenditures and charge backs pertaining to prior years collections. General Fund amounts included normal accounts payable and a \$14,570 sidewalk replacement project. The Special Revenue Fund, Ambulance Fund, were for shared transport fees on clients transported.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE L – REVENUE BONDS

The Township of Marenisco, Michigan adopted an ordinance on March 14, 1988, authorizing the issuance of a Sewage Disposal System Revenue Bond, dated March 1, 1988.

The bond consists of one single fully registered bond of \$419,000 and was purchased by Rural Economic and community Development Services. The bond bears an interest rate of 6% per year. Interest is payable on March 1, and September 1, and principal is payable each march 1 until maturity in the year 2028. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2004, the bond principal and payments were current. The principal balance outstanding of \$378,000 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$6,000	\$22,680	\$28,680
2006	7,000	22,320	29,320
2007	7,000	21,900	28,900
2008	8,000	21,480	29,480
2009	9,000	21,000	30,000
2010	10,000	20,460	30,460
2011	11,000	19,860	30,860
2012	11,000	19,200	30,200
2013	12,000	18,540	30,540
2014	13,000	17,820	30,820
2015	13,000	17,040	30,040
2016	14,000	16,260	30,260
2017	15,000	15,420	30,420
2018	16,000	14,520	30,520
2019	17,000	13,560	30,560
2020	18,000	12,540	30,540
2021	19,000	11,460	30,460
2022	20,000	10,320	30,320
2023	22,000	9,120	31,120
2024	23,000	7,800	30,800
2025	24,000	6,420	30,420
2026	26,000	4,980	30,980
2027	28,000	3,420	31,420
2028	<u>29,000</u>	<u>1,740</u>	<u>30,740</u>
	<u>\$378,000</u>	<u>\$349,860</u>	<u>\$727,860</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

The Township of Marenisco, Michigan, adopted an ordinance on October 9, 1995, authorizing the issuance of a Sewage Disposal System Junior Lien Revenue Bond.

The bond consists of one single fully registered bond of \$88,000 and was purchased by Rural Economic and Community Development Services. The bond bears an interest rate of 4.5% per year. Interest is payable on March 1 and September 1, and principal is payable each September 1 until maturity in the year 2035. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2004, the bond principal and interest payments were current. The principal balance of \$79,940 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$1,000	\$3,577	\$4,577
2006	1,000	3,532	4,532
2007	2,000	3,465	5,465
2008	2,000	3,375	5,375
2009	2,000	3,285	5,285
2010	2,000	3,195	5,195
2011	2,000	3,105	5,105
2012	2,000	3,015	5,015
2013	2,000	2,925	4,925
2014	2,000	2,835	4,835
2015	2,000	2,745	4,745
2016	2,000	2,655	4,655
2017	2,000	2,565	4,565
2018	2,000	2,475	4,475
2019	3,000	2,363	5,363
2020	3,000	2,227	5,227
2021	3,000	2,092	5,092
2022	3,000	1,958	4,958
2023	3,000	1,823	4,823
2024	3,000	1,687	4,687
2025	3,000	1,553	4,553
2026	3,000	1,417	4,417
2027	3,000	1,283	4,283
2028	3,000	1,147	4,147

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2029	\$3,000	\$1,012	\$4,012
2030	3,000	878	3,878
2031	3,000	743	3,743
2032	3,000	607	3,607
2033	3,000	473	3,473
2034	3,000	337	3,337
2035	3,000	203	3,203
2036	2,940	68	3,008
	<u>\$79,940</u>	<u>\$64,620</u>	<u>\$144,560</u>

The Township of Marenisco, Michigan adopted an ordinance on April 8, 1991, authorizing the issuance of a Water System Revenue Bond, dated April 30, 1991.

The bond consists of one single fully registered bond of \$435,000 and was purchased by Rural Economic and Community Development Services. The bonds bear an interest rate of 5.875% per year. Interest is payable on April 1 and October 1, and principal is payable each April 1 until maturity in the year 2032. Principal and interest are payable from the net revenues derived from operation of the water system.

At March 31, 2004, the bond principal and interest payments were current. The principal balance of \$386,000 is accounted for as a liability of the Water Utility Fund.

Debt service charges until maturity are:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$6,000	\$22,854	\$28,854
2006	6,000	22,501	28,501
2007	6,000	22,149	28,149
2008	7,000	21,767	28,767
2009	7,000	21,356	28,356
2010	8,000	20,915	28,915
2011	8,000	20,445	28,445
2012	8,000	19,975	27,975
2013	9,000	19,476	28,476
2014	10,000	18,917	28,917
2015	10,000	18,330	28,330
2016	11,000	17,713	28,713
2017	12,000	17,037	29,037

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

2018	\$12,000	\$16,332	\$28,332
2019	13,000	15,598	28,598
2020	14,000	14,805	28,805
2021	15,000	13,953	28,953
2022	16,000	13,043	29,043
2023	17,000	12,073	29,073
2024	18,000	11,045	29,045
2025	20,000	9,929	29,929
2026	21,000	8,724	29,724
2027	22,000	7,461	29,461
2028	24,000	6,110	30,110
2029	25,000	4,671	29,671
2030	27,000	3,143	30,143
2031	29,000	1,498	30,498
2032	5,000	323	5,323
	<u>\$386,000</u>	<u>\$402,143</u>	<u>\$788,143</u>

On October 16, 1998, the Township of Marenisco entered into an unsecured installment loan agreement with National City Bank – Michigan, for \$35,000 bearing a 6.1% interest rate to defray the cost of the new well. Payments are to be made in seven annual installments beginning October 16, 1999. Debt service payments are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$5,562	\$730	\$6,292
2006	5,930	362	6,292
	<u>\$11,492</u>	<u>\$1,092</u>	<u>\$12,584</u>

NOTE M – LONG-TERM DEBT

A summary of the changes in general long-term debt follows:

	<u>Balance at April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2004</u>
Capital lease payables	\$18,276	\$42,764	\$4,293	\$56,747
Installment loan	65,815		20,815	45,000
Payable				
Accrued leave benefits	2,763	1,283		4,046
	<u>\$86,854</u>	<u>\$44,047</u>	<u>\$25,108</u>	<u>\$105,793</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

On February 15, 2000, the Township entered into an operating lease with Xerox Corporation for the use of a copier for a term of five years. The Township agreed to make monthly payments of \$192.74 beginning March 2000. This agreement was amended April 1, 2003 to allow for monthly payments of \$301.82 for the term of five years. The Township also entered into an operating lease with Pitney Bowes for 42 months at a quarterly payment of \$126.00 beginning April 1, 2003. Also, a lease purchase agreement was entered into on October 31, 2003 with Oshkosh Capital in the acquisition of an ambulance. The agreement is secured by the ambulance and bears an interest rate of 4.05%. Payments are to be made in 5 annual installment of \$9323.85 beginning in November 2004 plus accrued interest beginning on October 31, 2003. Minimum lease payments due on the above contracts are as follows:

<u>Year Ending March 31,</u>	<u>Ambulance Lease</u>		<u>Copier Lease</u>	<u>Pitney Bowes</u>	<u>Totals</u>
	Payments	Principal			
2004	\$9,323.85	\$7,503	\$3,622	\$504	\$11,629
2005	9,323.85	7,837	3,622	504	11,963
2006	9,323.85	8,185	3,622	252	12,059
2007	9,323.85	8,548	3,621		12,169
2008	9,323.85	8,927			8,927
	\$46,619.25	\$41,000	\$14,487	\$1,260	\$56,747

On October 29, 1996, the Township of Marenisco entered into an unsecured installment loan agreement with National City Bank – Michigan, for \$150,000 bearing an interest rate of 70% of the prime rate, to finance the construction of a fire hall. Payments are to be made in nine annual installments of \$15,000 plus accrued interest beginning on May 1, 1997, with the final installment of the unpaid principal due on May 1, 2006. Interest rate in effect at March 31, 2004 was 2.975%

A summary of initial agreed upon annual principal and interest requirements to maturity follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$15,000	\$2,678	\$17,678
2006	15,000	1,785	16,785
2007	15,000	893	15,893
	\$45,000	\$5,356	\$50,356

On May 16, 2000, the Township of Marenisco entered into a secured installment loan agreement with National City Bank – Michigan, for \$16,000 bearing an interest rate of 9.65 in the purchase of a police vehicle. Payments are to be made in three annual installments of \$6,409, which includes interest beginning on May 16, 2000, with the final principal installment (\$5,815) made on May 16, 2003.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

The Township has contractual employment agreements with three employees, which will entitle each employee to accumulate time up to their annual anniversary hire date. The agreements provide:

After one (1) year	Five (5) days
After two (2) years	Ten (10) days
After four (4) years	Fifteen (15) days
After eight (8) years	Twenty (20) days
After fifteen (15) years	Twenty-five (25) days

The General Fund has an accrued leave benefit liability of \$4,046, which is reflected on the general-long term debt. The accrued benefits for the Enterprise Funds are immaterial and are not recognized in the financial statements.

NOTE N – DEFINED CONTRIBUTION PENSION PLAN

Effective September 9, 1993, the Township adopted a defined contribution pension plan, administered by Prudential Investment Management Service LCC, which provides pension benefits for Township employees, not elected official, who have attained the age of 21 but are not more than 65 years old. Employees are eligible to participate after twelve months of service, retroactive to January 1, 1993, provided 1,000 hours of service are performed in each twelve-month period. The Township is required to contribute an amount equal to 10% of the employee's base salary each year. The Township's contribution for each employee and investment earnings allocated to the employee's account are fully vested after five years. Normal retirement age is 65 with no provision for an early retirement.

The Township's total payroll for the fiscal year ended March 31, 2004 was \$142,246. The Township's contributions were calculated using the base salary amount of \$92,208. The Township's contribution amounted to \$9,221 on behalf of four employees and an employee made additional contributions of \$6,997 for the year ended March 31, 2004. The carrying value of the securities is \$83,457, whereas, the market value according to participants statements as of March 31, 2004 was \$75,121. An adjustment has been made in the financial records to reflect the lower value.

NOTE O – CHANGES IN LONG-TERM DEBT

	Balance <u>3/31/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>3/31/04</u>
Proprietary Funds	\$873,761	\$ _____	\$18,329	\$855,432
General LT Debt	\$ 86,854	\$44,047	\$25,108	\$105,793

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE P – CONTRIBUTIONS IN AID OF CONSTRUCTION

A summary of contributions in aid of construction of the Enterprise Funds at March 31, 2004, follows:

Capital grants	\$2,570,129
Less amounts amortized	
Into operations	<u>(876,921)</u>
	\$1,693,208
Investment of Township	103,517
Other contributions	<u>1,621</u>
	<u>\$1,798,346</u>

NOTE Q – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through two enterprise funds. Segment information as of March 31, 2004, follows:

	Water Utility Fund	Sewer Utility Fund	Totals
Operating revenues	\$77,476	\$80,817	\$158,293
Depreciation/amortized expense	\$35,025	\$57,872	\$92,897
Operating income (loss)	\$11,616	(\$4,711)	\$6,905
Restrictive donations/grants	0	0	0
Operating transfers	0	0	0
Tax revenues	0	0	0
Increase (decrease) in Retained earnings	\$9,191	\$15,682	\$24,873
Current capital contribution	0	0	0
Increase (decrease) in Fixed assets	0	0	0
Long-term debt payable from operating revenues	\$397,492	\$457,940	\$855,432
Retained-earnings Unreserved (deficit)	\$48,244	\$5,780	\$54,024

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE R – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund, Special Revenue Funds and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The Township has been notified of pending tax appeal which may require the Township to issue a refund for taxes collected for prior years. The Utility Company is contesting property tax valuations concerning their utility assets and are awaiting a hearing. Management and its representatives are unable to evaluate whether an unfavorable outcome may occur and to what extent.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

NOTE S – RESTRICTED FUND AND CASH BALANCES

The Township has designated the General Fund balance for various activities as follows:

Road repairs and improvements	\$182,245
Building inspections	1,829
Recreation equipment	14,304
Cemetery perpetual care	1,743
Totals	<u>\$200,121</u>

The General Fund has several restricted cash accounts with \$124,731 set aside towards fully funding the restricted fund balance. The Proprietary Funds have established and funded (\$87,400) various cash accounts in fulfilling various bond covenant agreements.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE T – LIMITED TAX GENERAL OBLIGATION

The Township has entered into a contract with the Gogebic Range Solid Waste Management Authority whereby the Township has agreed to pay 7.5% of the principal and interest due on the \$100,000 of debt issued in 1988 and outstanding as of June 30, 2002. The Authority was approved for a loan amount of \$476,000 through USDA-RDA. The loan proceeds will be used to retire the outstanding debt plus fund facility and equipment improvements. The Township has pledged its limited tax full faith and credit for the prompt and timely payment of its share of obligation outstanding (not less than 7.5% or more than 8%).

It is anticipated that the Authority will establish adequate rates to meet their current and future operating and debt retirement expenditures. The Township has not participated in past debt payments.

NOTE U- BUDGET AND BUDGETARY COMPLIANCE

In the body of the financial statements, the Township of Marenisco's actual expenditures exceeded budgeted funds resulting in cost overages per functional basis. PA 621 provides guidance in that whenever anticipated expenditures appear to be exceeding budgeted costs centers per function, a budget revision needs to be undertaken. Refer to page 10 to illustrate the General Fund and Special Revenue Cost overruns.

COMBINING AND
INDIVIDUAL FUND
FINANCIAL STATEMENTS

TOWNSHIP OF MARENISCO
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$72,252	\$76,780	\$149,032
Customer account receivable			
Current	5,873	6,492	12,365
Delinquent	7,665	8,390	16,055
Other	1,649		1,649
Less: allowance for uncollectible accounts	(1,649)		(1,649)
Due from other funds		12,103	12,103
Prepaid expenses	3,043	2,847	5,890
Supplies inventory (at cost)	6,044	1,048	7,092
Total Current Assets	\$94,877	\$107,660	\$202,537
Fixed Assets:			
Land and land rights	\$37,908	\$20,000	\$57,908
Structures and improvements	239,630	1,142,141	1,381,771
Wells and springs	98,903		98,903
Distribution mains	980,927		980,927
Collection system		1,131,285	1,131,285
Hydrant	51,450		51,450
Equipment	18,047	169,473	187,520
Accumulated depreciation	(460,387)	(970,559)	(1,430,946)
Other Assets:			
Restricted cash	31,000	56,400	87,400
Accrued interest income		432	432
Loan acquisition costs-net	5,735	4,271	10,006
TOTAL ASSETS	\$1,098,090	\$1,661,103	\$2,759,193
Current Liabilities:			
Accounts payable	\$3,572	\$3,909	\$7,481
Accrued wages/taxes	100	50	150
Accrued interest payable	351	2,190	2,541
Customer deposits	9,594		9,594
Due to other funds	22,055	9,570	31,625
Current maturity on LT Debt	11,562	7,000	18,562
Total Current Liabilities	\$47,234	\$22,719	\$69,953
Other Liabilities			
Bonds payable	386,000	457,940	843,940
Bank loan payable	11,492		11,492
Less: current maturity on LT Debt	(11,562)	(7,000)	(18,562)
TOTAL LIABILITIES	\$433,164	\$473,659	\$906,823

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Municipal Equity			
Contributed Capital:			
Contributed capital	\$40,138	\$65,000	\$105,138
Capital grants	834,900	1,735,229	2,570,129
Less amortization of capital grants	(258,356)	(618,565)	(876,921)
Total Contributed Capital	616,682	1,181,664	1,798,346
Retained earnings	48,244	5,780	54,024
TOTAL LIABILITIES AND EQUITY	\$1,098,090	\$1,661,103	\$2,759,193

TOWNSHIP OF MARENISCO
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$45,018	\$61,581	\$106,599
Customer account receivable			
Current	6,045	6,657	12,702
Delinquent	4,369	4,926	9,295
Other	1,649		1,649
Less: allowance for uncollectible accounts	(1,649)		(1,649)
Due from other funds		2,350	2,350
Prepaid expenses	2,950	2,368	5,318
Supplies inventory (at cost)	8,260	785	9,045
Total Current Assets	\$66,642	\$78,667	\$145,309
Fixed Assets:			
Land and land rights	\$37,908	\$20,000	\$57,908
Structures and improvements	239,630	1,142,141	1,381,771
Wells and springs	98,903		98,903
Distribution mains	980,927		980,927
Collection system		1,131,285	1,131,285
Hydrant	51,450		51,450
Equipment	18,047	169,473	187,520
Accumulated depreciation	(425,574)	(912,864)	(1,338,438)
Other Assets:			
Restricted cash	31,000	56,400	87,400
Accrued interest income			
Loan acquisition costs-net	5,946	4,448	10,394
TOTAL ASSETS	\$1,104,879	\$1,689,550	\$2,794,429
Current Liabilities:			
Accounts payable	\$210	\$244	\$454
Accrued wages/taxes	50		50
Accrued interest payable	462	2,224	2,686
Customer deposits	8,790		8,790
Due to other funds	9,998	6,938	16,936
Current maturity on LT Debt	9,935	7,000	16,935
Total Current Liabilities	\$29,445	\$16,406	\$45,851
Other Liabilities			
Bonds payable	392,000	465,000	857,000
Bank loan payable	16,761		16,761
Less: current maturity on LT Debt	(9,935)	(7,000)	(16,935)
TOTAL LIABILITIES	\$428,271	\$474,406	\$902,677

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Municipal Equity			
Contributed Capital:			
Contributed capital	\$40,138	\$65,000	\$105,138
Capital grants	834,900	1,735,229	2,570,129
Less amortization of capital grants	(237,483)	(575,183)	(812,666)
Total Contributed Capital	637,555	1,225,046	1,862,601
Retained earnings	39,053	(9,902)	29,151
TOTAL LIABILITIES AND EQUITY	\$1,104,879	\$1,689,550	\$2,794,429

TOWNSHIP OF MARENISCO
COMBINING STATEMENT OF INCOME AND
CHANGES IN RETAINED EARNING
PROPRIETARY FUND TYPE
March 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Sales to customers	\$62,140	\$80,673	\$142,813
Other	5,697	144	5,841
	<u>\$67,837</u>	<u>\$80,817</u>	<u>\$148,654</u>
Hydrant rental	9,639		9,639
Total Operating Revenues	<u>\$77,476</u>	<u>\$80,817</u>	<u>\$158,293</u>
Administrative expenses			
Personnel services	\$877	\$1,237	\$2,114
Professional services	1,510	1,000	2,510
Supplies	536		536
Utilities	1,585	302	1,887
Total Administrative Expenses	<u>\$4,508</u>	<u>\$2,539</u>	<u>7,047</u>
Operating expenses			
Personnel services	\$8,590	\$12,850	\$21,440
Purchase of services	1,619	178	1,797
Depreciation/amortization	35,025	57,872	92,897
Materials & supplies	4,890	1,112	6,002
Utilities	2,166	2,527	4,693
Charge backs	3,309	3,659	6,968
Insurance	5,753	4,791	10,544
Total Operating Expenses	<u>61,352</u>	<u>82,989</u>	<u>144,341</u>
Total Expenses	<u>\$65,860</u>	<u>\$85,528</u>	<u>\$151,388</u>
INCOME FROM OPERATIONS	<u>\$11,616</u>	<u>(\$4,711)</u>	<u>\$6,905</u>
Other revenues (expenses):			
Non-operating revenue- Interest income	644	3,639	4,283
Non-operating expense – Interest expense	<u>(23,942)</u>	<u>(26,627)</u>	<u>(50,569)</u>
NET INCOME (LOSS)	<u>(\$11,682)</u>	<u>(\$27,699)</u>	<u>(\$39,381)</u>
Provision for depreciation included in operating expenses by external restricted grants	20,873	43,381	64,254
INCREASE IN RETAINED EARNINGS	<u>\$9,191</u>	<u>\$15,682</u>	<u>\$24,873</u>
Retained earnings 3/31/2003	39,053	(9,902)	29,151
RETAINED EARNING 3/31/04	<u>\$48,244</u>	<u>\$5,780</u>	<u>\$54,024</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
COMBINING STATEMENT OF INCOME AND
CHANGES IN RETAINED EARNING
PROPRIETARY FUND TYPE
March 31, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Sales to customers	\$64,022	\$73,062	\$137,084
Other	1,462	469	1,931
	<u>\$65,484</u>	<u>\$73,531</u>	<u>\$139,015</u>
Hydrant rental	9,477		9,477
Total Operating Revenues	<u>\$74,961</u>	<u>\$73,531</u>	<u>\$148,492</u>
Operating expenses			
Personnel services	\$11,759	\$15,841	\$27,600
Purchase of services	7,229	6,332	13,561
Depreciation/amortization	35,239	58,139	93,378
Materials & supplies	782	1,082	1,864
Utilities	3,924	3,119	7,043
Other	225		225
Total Operating Expenses	<u>\$59,158</u>	<u>\$84,513</u>	<u>\$143,671</u>
INCOME FROM OPERATIONS	<u>\$15,803</u>	<u>(\$10,982)</u>	<u>\$4,821</u>
Other revenues (expenses):			
Non-operating revenue- Interest income	748	1,987	2,735
Non-operating expense – Interest expense	(24,515)	(27,034)	(51,549)
NET INCOME (LOSS)	<u>(\$7,964)</u>	<u>(\$36,029)</u>	<u>(\$43,993)</u>
Provision for depreciation included in operating expenses by external restricted grants	20,873	43,381	64,254
INCREASE IN RETAINED EARNINGS	<u>\$12,909</u>	<u>\$7,352</u>	<u>\$20,261</u>
Retained earnings 3/31/2002	26,144	(17,254)	8,890
RETAINED EARNING 3/31/03	<u>\$39,053</u>	<u>(\$9,902)</u>	<u>\$29,151</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
March 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from operations for the year	\$11,616	(\$4,711)	\$6,905
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:			
Depreciation	35,025	57,872	92,897
(Increase) decrease in:			
Trade account receivable	(3,125)	(3,299)	(6,424)
Due from other funds		(9,752)	(9,752)
Inventory	2,216	(262)	1,954
Accrued interest income		(433)	(433)
Prepaid expense	(93)	(479)	(572)
Increase (decrease) in:			
Accounts payable	3,361	3,665	7,026
Customer deposits	803		803
Accrued payroll/taxes	50	50	100
Accrued interest	(111)	(34)	(145)
Due to other funds	12,057	2,632	14,689
Total Adjustments	50,183	49,960	100,143
Net Cash Provided by Operating Activities	\$61,799	\$45,249	\$107,048
 Cash Flows from Capital and related financing and investing activities:			
Interest income	644	3,639	4,283
Principal paid on loans	(11,267)	(7,060)	(18,327)
Interest paid	(23,942)	(26,629)	(50,571)
Net cash provided (used) for capital and related financing and investing activities	(34,565)	(30,050)	(64,615)
 NET INCREASE (DECREASE) IN CASH	27,234	15,199	42,433
Cash 3/31/2003	76,018	117,981	193,999
CASH 3/31/2004	\$103,252	\$133,180	\$236,432

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE

March 31, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from operations for the year	\$15,803	(\$10,982)	\$4,821
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:			
Depreciation	35,239	58,139	93,378
(Increase) decrease in:			
Trade account receivable	(1,126)	3,803	2,677
Due from other funds		6,198	6,198
Inventory	(1,114)		(1,114)
Accrued interest income		360	360
Prepaid expense	(698)	(529)	(1,227)
Increase (decrease) in:			
Accounts payable	(9,542)	(854)	(10,396)
Customer deposits	1,360		1,360
Accrued payroll/taxes		(95)	(95)
Accrued interest	(137)	(33)	(170)
Due to other funds	2,996	6,938	9,934
Total Adjustments	26,978	73,927	100,905
Net Cash Provided by Operating Activities	\$42,781	\$62,945	\$105,726
 Cash Flows from Capital and related financing and investing activities:			
Interest income	748	1,987	2,735
System improvements	(6,936)	(6,938)	(13,874)
Principal paid on loans	(9,963)	(7,000)	(16,963)
Interest paid on bonds	(24,515)	(27,034)	(51,549)
Net cash provided (used) for capital and related financing and investing activities	(40,666)	(38,985)	(79,651)
 NET INCREASE (DECREASE) IN CASH	2,115	23,960	26,075
Cash 3/31/2002	73,903	94,021	167,924
CASH 3/31/2003	\$76,018	\$117,981	\$193,999

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
Year ended March 31, 2003

REVENUES	BUDGET	ACTUAL	VARIANCE
Current property taxes	\$225,445	\$240,355	\$14,910
Delinquent property taxes		180	180
Commercial forest reserve	15,836	27,861	12,025
Tax administrative fees	23,400	16,514	(6,886)
Total taxes	\$264,681	\$284,910	\$20,229
State shared revenues	\$77,000	\$67,689	(\$9,311)
Charges for services:			
Cemetery		\$2,675	\$2,675
Zoning		1,268	1,268
Police		963	963
Permits		1,885	1,885
Sanitation		8,955	8,955
Other	\$14,763	3,612	(11,151)
	\$14,763	\$19,358	\$4,595
Federal shared revenues	\$32,456	\$65,181	\$32,725
Rents	\$9,000	\$2,057	(\$6,943)
Donations	\$2,000	\$45,136	\$43,136
Reimbursements		4,780	4,780
Sale of assets	3,000	815	(2,185)
Miscellaneous	10,500	13,928	3,428
Interest income		3,831	3,831
	\$15,500	\$68,490	\$52,990
TOTAL REVENUES	\$413,400	\$507,685	\$94,285
Other financing sources-Transfer from other funds		\$1,843	\$1,843
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$413,400	\$509,528	\$96,128

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
TOWNSHIP OF MARENISCO

	Year ended March 31, 2004		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
LEGISLATIVE			
Township Board:			
Salaries		\$7,623	
Fringe benefits		716	
Office supplies		8,770	
Communications		2,807	
Professional fees		1,649	
Transportation		454	
Printing and publications		1,065	
Insurance		23,703	
Dues		424	
Miscellaneous		915	
Charge backs		987	
Equipment		1,500	
TOTAL LEGISLATIVE	\$63,000	\$50,613	\$12,387
 General Government:			
Supervisor:			
Salaries		\$8,891	
Per Diem		525	
Transportation		242	
TOTAL SUPERVISOR	\$11,000	\$9,658	\$1,342
 ELECTION	 \$2,200	 \$	 \$2,200
 ATTORNEY	 \$6,000	 \$3,082	 \$2,918

The accompanying notes are an integral part of the financial statements.

GENERAL FUND
 DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
 TOWNSHIP OF MARENISCO
 Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Assessor:			
Contractual costs		\$11,800	
Miscellaneous		75	
TOTAL ASSESSOR	\$10,500	\$11,875	(\$1,375)
Clerk:			
Salary		\$5,300	
Transportation		85	
Professional fees		4,400	
Other		175	
TOTAL CLERK	\$10,900	\$9,960	\$940
TOTAL BOARD OF REVIEW	\$500	\$503	(\$3)
Treasurer:			
Salary		\$7,324	
Deputy Wages		300	
Per Diem		305	
Transportation		1,190	
Contract cost		3,750	
Miscellaneous		155	
TOTAL TREASURER	\$10,500	\$13,024	(\$2,524)
Cemetery:			
Wages		\$639	
Miscellaneous		834	
TOTAL CEMETERY	\$1,500	\$1,473	\$27

The accompanying notes are an integral part of the financial statements

GENERAL FUND
 DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
 TOWNSHIP OF MARENISCO
 Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Township Properties:			
Wages		\$35,021	
Fringe benefits		16,908	
Supplies		10,271	
Communications		921	
Utilities		15,016	
Repairs & maintenance		1,352	
Capital improvements		8,116	
	\$66,000	\$87,605	(\$21,605)
TOTAL GENERAL GOVERNMENT	\$119,100	\$137,180	(\$18,080)
Police:			
Wages		\$47,929	
Fringe benefits		27,937	
Supplies		280	
Communications		1,139	
Miscellaneous		369	
Transportation		1,799	
TOTAL POLICE PROTECTION	\$57,500	\$79,453	(\$21,953)
Fire and Ambulance:			
Insurance			
Hydrant rental		9,639	
Contract services		720	
Miscellaneous		145	
TOTAL FIRE PROTECTION	\$43,000	\$11,334	\$31,666

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
TOWNSHIP OF MARENISCO

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
INSPECTIONS	\$7,200	\$974	\$6,226
ZONING	\$8,300	\$6,695	\$1,605
TOTAL PUBLIC SAFETY	\$116,000	\$98,456	\$17,544
Streets and Roads		\$37,349	
Street lights		7,197	
Sanitation – bags		8,295	
TOTAL PUBLIC WORKS	\$37,000	\$52,841	(\$15,841)
Recreation and Culture:			
Parks:			
Wages		\$980	
Supplies		2,228	
Miscellaneous		1,789	
Capitol Improvements		30,871	
TOTAL RECREATION & CULTURE	\$6,000	\$35,868	(\$29,868)

The accompanying notes are an integral part of the financial statements.

GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
TOWNSHIP OF MARENISCO

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OTHER			
Payroll taxes		\$7,851	
Other		6,567	
Contributions		5,525	
Debt service		27,433	
Economic development		716	
Contingency			
TOTAL OTHER	\$78,300	\$48,092	\$30,208

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS

TOWNSHIP OF MARENISCO

Year ended March 31, 2004

	<u>Ambulance Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Departments</u>	<u>Building Permits</u>	<u>Totals</u>
Assets:					
Cash in bank	\$12,469	\$	\$53,373	\$	\$65,842
Accounts receivable	37,174		539		37,713
Allowance for doubtful accounts	(14,331)				(14,331)
Prepaid expenses			473		473
Due from other funds	110				110
Accrued interest income			201		201
Total Assets	<u>\$35,422</u>	<u>\$</u>	<u>\$54,586</u>	<u>\$</u>	<u>\$90,008</u>
Accounts payable	\$7,200	\$	\$172	\$	\$7,372
Fund balance- unreserved	28,222		54,414		82,636
Total Equity & Liabilities	<u>\$35,422</u>	<u>\$</u>	<u>\$54,586</u>	<u>\$</u>	<u>\$90,008</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

TOWNSHIP OF MARENISCO
Year ended March 31, 2004

	<u>Ambulance Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Department</u>	<u>Building Permits</u>	<u>Totals</u>
Revenues:					
State grants	\$	\$1,843	\$	\$	\$1,843
Charges for services	40,208			4,485	44,693
Interest income	394		1,063		1,457
Donations	6,427		3,600		10,027
Other			1,336		1,336
Total Revenues	\$47,029	\$1,843	\$5,999	\$4,485	\$59,356
Expenditures					
Public safety	\$	\$	\$2,661	\$5,786	\$8,447
Contract costs	17,000		1,820		18,820
Communication	284		313		597
Repairs & maintenance	1,247		605		1,852
Bad debts	6,200				6,200
Operating supplies	789		5,095		5,884
Travel	874				874
Equipment	42,515		5,247		47,762
Insurance			946		946
Training/dues	768		856		1,624
Miscellaneous	1,695		2,447		4,142
Total Expenditures	71,372		19,990	5,786	97,148
Excess (Deficiency) of Revs over Expenditures	(\$24,343)	\$1,843	(\$13,991)	(\$1,301)	(\$37,792)
Other financing sources (use)- Operating Transfers		(1,843)	28,947	1,301	28,405
Excess (Deficiency) of Revenues and Other Financing Source Over Expenditures and Other Financing Use	(24,343)		14,956		(9,387)
Fund balance 3/31/03	52,565		39,458		92,023
Fund balance 3/31/04	\$28,222	\$	\$54,414	\$	\$82,636

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – FIDUCIARY FUNDS

TOWNSHIP OF MARENISCO

Year ended March 31, 2004

	Trust & Agency <u>Fund</u>	Tax Collection <u>Fund</u>	<u>Totals</u>
Assets-cash	\$40,285	\$74,509	\$114,794
Liabilities:			
Due to Township	\$6,164	\$19,958	\$26,122
Due to County	33,925	54,551	88,476
Due to State			
Due to Others	196		196
	\$40,285	\$74,509	\$114,794

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TRUST & AGENCY FUND

TOWNSHIP OF MARENISCO

Year ended March 31, 2004

	<u>Balance at</u> <u>March 31, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>March 31, 2004</u>
Assets-cash	\$799	\$138,579	\$99,093	\$40,285
Liabilities:				
Due to Township	\$500	\$26,033	\$20,369	\$6,164
Due to County	299	112,290	78,664	33,925
Due State of Michigan				
Due to Schools		60	60	
Due to Other		196		196
	<u>\$799</u>	<u>\$138,579</u>	<u>\$99,093</u>	<u>\$40,285</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX FUND

TOWNSHIP OF MARENISCO

Year ended March 31, 2004

	<u>Balance at March 31, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$75,508	\$1,235,268	\$1,236,267	\$74,509
Liabilities:				
Due to Township	\$20,975	\$249,767	\$250,784	\$19,958
Due to County	13,950	608,959	568,358	54,551
Due to Schools		376,201	376,201	
Due to State	40,583		40,583	
Due to Others				
Due to Individuals		341	341	
	<u>\$75,508</u>	<u>\$1,235,268</u>	<u>\$1,236,267</u>	<u>\$74,509</u>

The accompanying notes are an integral part of the financial statements.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Township of Marenisco
Marenisco, Michigan

We have audited the financial statements of Township of Marenisco as of and for the year ended March 31, 2004, and have issued our report thereon dated July 29, 2004. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Marenisco's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Township of Marenisco for the year ended March 31, 2004, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Township of Marenisco is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not perform a complete physical inventory of all holdings for comparison to the master listing being maintained for reporting purposes to verify existence, condition of property and proper valuation required by Michigan Uniform Accounting System. The Township has not established adequate procedures in conducting a complete review of their holdings.

The Township needs to establish an accurate general fixed assets listing of assets currently in use and assure that proper values have been assigned and are adequately insured against various types of losses.

2. The Township Board understated the beginning Fund Balances in preparing their annual General Fund budget. This information may have influenced the Board, as well as, the general public in determining funding priorities. Furthermore, no budgets were adopted for various Special Revenue Funds as required. Also, our review noted cost overruns in various functional activities, which would have required the Board to amend their operating budget. Michigan Public Act 621 of 1978 provides guidance in preparing budget amendment in avoiding non-compliance.

3. The Water and Sewer Funds monthly consumption, account receivable and aging reports need to be kept in duplicate and retained for audit purposes. Any revisions or discounts to amounts billed should be reviewed and formally approved by an independent party, separate from the billing and collection clerk. Monies should be deposited directly to the respective fund timely and interfund charges should be billed and repaid promptly. Customer deposits listing were not maintained during the current audit period.

The Township lacked adequate backup procedures and review procedures for correcting incorrect billings of customer's accounts. It appears that the utility clerk vacancy contributed to records not being maintained on a current basis allowing for items to be overlooked.

4. The Treasurer held a county check in the amount of \$35,648 for approximately six weeks at year end prior to depositing. All monies collected by the Township needs to be formally receipted and timely deposited. Furthermore, our review identified pre-signed checks for recreation activities and provided to recreation personnel. All invoices should be presented for Township Board approval and process for payment similar to General Fund disbursements.

5. The Township Board needs to implement oversight procedures in allowing for the Ambulance and Fire Department records to be maintained at the Township Hall for audit purposes. Our review noted not all funds were posted or posted currently, accounts receivable listing was incomplete and not all payment invoices and cancelled checks were presented for audit review.

The Township should take appropriate measures to allow for all Township funds to be posted on a current basis; all cancelled checks be returned by the banking institution and retained; original billing and payment invoices be retained on file; and board minutes and financial reports be provided to the full Board for acceptance.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the above items number 1 and 4 to be a material weakness. We noted one other matter involving internal control elements over financial reporting and its operations that require corrective action.

1. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.


Roger J. Kolehmainen PC
Certified Public Accountant

July 29, 2004